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ABSTRACT

This document addresses the issue of the aging American workforce by describing the current demographics of the Chrysler Corporation workforce, reviewing Chrysler's future projections, and discussing some of the changes being implemented by Chrysler to accommodate the aging Chrysler active and retiree population. It compares average ages of hourly workers, non-management salaried workers, and management workers at Chrysler in 1977 and in 1987 and looks at the ratio of active workers to retirees in 1977 (2.6:1), 1987 (1.3:1), and projected ratios for 1990 through 1995 (1.1:1), 2000 (1.04:1) and 2015 (.94:1). Reasons for the projected low ratio are discussed. Trends in life and health insurance benefit costs for employees and retirees are examined and Chrysler's challenge of maintaining the quality of care and coverage while reducing and containing benefit costs is considered. Measures implemented at Chrysler to meet the challenges of an aging workforce are discussed, including the implementation of efficient alternative health care delivery options, individual case management programs for persons in an inpatient care environment, a research proposal to examine more cost effective management of Medicare, an education and wellness program for employees and retirees, and a life planning seminar to help employees prepare for retirement. (NB)

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A. P. ST. JOHN PRESENTATION AT DOL CONFERENCE ON AGING

A. P. St. John

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A.P. ST. JOHN

PRESENTATION AT DOL CONFERENCE ON AGING

MARCH 11, 1988

GOOD MORNING! IT'S A PLEASURE TO BE HERE TODAY WITH SUCH A DISTINGUISHED PANEL. BEFORE I BEGIN MY REMARKS, I'D LIKE TO COMMEND THE DEPARTMENT OF LABOR AND WAYNE STATE UNIVERSITY, PARTICULARLY IRV BLUESTONE, FOR HAVING THE FORESIGHT TO SPONSOR A CONFERENCE ON THIS IMPORTANT SUBJECT.

SLIDE 1 AMERICA IS GROWING OLDER - IT'S NO SECRET. ALL YOU HAVE TO DO IS LOOK AT THE HEADLINES IN OUR NEWSPAPERS - "AMERICA'S GRAY WAVE OF THE FUTURE", "TODAYS BABY BOOMERS - TOMORROW'S ELDERLY", "THE WAR BETWEEN THE GENERATIONS", "BABY BOOM - THEN BUST", "AND NOW THE FUN YEARS". THE LARGE PERCENTAGE OF OLDER INDIVIDUALS IN THE WORKFORCE WILL INFLUENCE PROMOTIONAL DECISIONS, TRAINING OPPORTUNITIES, BENEFIT PLANS, AND RETIREMENT POLICIES. THE QUESTION IS HOW WILL WE IN HUMAN RESOURCES CONFRONT THIS ISSUE?

TODAY I WILL DESCRIBE THE CURRENT DEMOGRAPHICS OF THE CHRYSLER WORKFORCE -- REVIEW OUR FUTURE PROJECTIONS -- AND DISCUSS SOME OF THE CHANGES WE ARE IMPLEMENTING TO ACCOMMODATE AN AGING CHRYSLER ACTIVE AND RETIREE POPULATION.

SLIDE 2 AT CHRYSLER TODAY, THE AVERAGE AGE FOR HOURLY EMPLOYEES IS 44, FOR NON-MANAGEMENT SALARIED EMPLOYEES 41 AND MANAGEMENT EMPLOYEES 40.

FOR HOURLY EMPLOYEES, THE AVERAGE AGE HAS RISEN FROM A RECENT LOW OF 36 IN 1977 TO 44 IN 1987; HOWEVER, FOR SALARIED EMPLOYEES THE AVERAGES HAVE REMAINED ESSENTIALLY CONSTANT DURING THE LAST 10 YEARS.

THE AVERAGE CORPORATE SERVICE FOR HOURLY EMPLOYEES IS 17 YEARS, FOR NON-MANAGEMENT SALARIED 13 YEARS AND FOR MANAGEMENT EMPLOYEES 16 YEARS.

SLIDE 3 CHRYSLER'S CURRENT NUMBER OF RETIREES IS 83,000 WHICH COMPARES WITH AN ACTIVE WORKFORCE OF 115,000 EMPLOYEES.

AS THIS SLIDE SHOWS, IN 1977 THE RATIO OF U.S. ACTIVE EMPLOYEES TO RETIREES WAS 2.6 TO 1. IT REACHED A LOW OF .99 TO 1 IN 1982 WHEN THE RECESSION HIT BOTTOM. CURRENTLY THE RATIO IS ABOUT 1.3 TO 1.

SLIDE 4 OUR PROJECTIONS INDICATE THE RATIO WILL FURTHER DECREASE TO 1.1 TO 1 IN 1990 THROUGH 1995, 1.04 TO 1 IN THE YEAR 2000 AND REACH .94 TO 1 BY 2015.

SLIDE 4A THIS RATIO WILL CONTINUE TO REMAIN LOW DUE TO THE FACT THAT RETIREES AND THEIR SURVIVING SPOUSES (THE GREAT MAJORITY OF WHOM CONTINUE RECEIVING PENSION AND HEALTH INSURANCE BENEFITS AFTER THEIR SPOUSE'S DEATH) ARE LIVING LONGER. ANOTHER REASON THE RATIO WILL REMAIN LOW IS BECAUSE OF THE SIGNIFICANT NUMBER OF RETIREES WHO ELECT TO RETIRE EARLY. IT MAY BE OF INTEREST TO NOTE THAT DURING THE LAST THREE YEARS, ABOUT 90% OF EMPLOYEES WHO RETIRED, RETIRED BEFORE THE NORMAL RETIREMENT AGE OF 65. THE AVERAGE AGE AT RETIREMENT IS LESS THAN 60.

JE 5 In 1987, pension benefit payments totalled $400 million and retiree health and life insurance benefits $202 million. These two benefits above equalled about 17.5% of our payroll. And these costs have been constantly escalating.

SLIDE 6 As the slide shows, over the last five years our health and life insurance benefit costs for employees and retirees increased by over 50% from $414 million to $625 million. Insurance costs for retirees increased by 39% and for active employees by 57%. During the same time our pension costs have increased by 24%.

PAUSE

Health Care costs are and have been a particularly troublesome subject. What Chrysler Motors will continually be confronted with, as the number of retirees continues to grow, is a two-fold challenge --- maintaining the quality of care and coverage while reducing and containing benefit costs. Even though Chrysler is only number three in the auto industry, the cost of our benefits is rather staggering.

Some of the measures we have implemented and will be implementing to successfully meet the challenges of an aging workforce are:

SLIDE 7 First, in the area of cost control, we have rejected the myth that aggressive cost containment reduces the quality of care.

WE HAVE WORKED TO PROVIDE A GREATER VARIETY OF EFFICIENT ALTERNATIVE HEALTH CARE DELIVERY OPTIONS, WITH THE RESULT THAT LAST YEAR WE INCREASED EMPLOYEE AND RETIREE ENROLLMENT IN MANAGED HEALTH CARE PLANS (PPO'S AND HMO'S) BY 43 AND 48% RESPECTIVELY WITHOUT COMPROMISING THE QUALITY OF CARE AND COVERAGE.

SLIDE 8 WE HAVE ALSO IMPLEMENTED AN "INDIVIDUAL CASE MANAGEMENT" PROGRAM, DESIGNED FOR INDIVIDUALS IN AN IN-PATIENT CARE ENVIRONMENT. AN EXAMPLE MAY HELP TO EXPLAIN HOW IT WORKS. JOHN DOE IS HOSPITALIZED AND HAS BECOME DEPENDENT ON A VENTILATOR. IF NOTHING CHANGES, HE WILL SPEND THE REST OF THE YEAR IN A HOSPITAL BED. HIS HEALTH CARE COST PER DAY IS $1,000 AND HE HAS 100 DAYS OF COVERAGE REMAINING. THIS MEANS CHRYSLER IS AT RISK OF SPENDING $100,000 AND MR. DOE HAS ONLY 100 DAYS OF COVERAGE REMAINING. IN THIS CASE, IF CHRYSLER DETERMINES THAT THE COST OF REWIRING JOHN DOE'S HOUSE TO ACCOMODATE A VENTILATOR PLUS PROVIDING SKILLED HOME NURSING CARE WILL COST ONLY $500 PER DAY, THEN JOHN DOE'S COVERAGE IS EXTENDED BY 100 DAYS WITHOUT INCREASING CHRYSLER'S TOTAL COST.

SLIDE 8A IN OTHER CASES, THE PROGRAM CAN ALSO SERVE TO REDUCE CHRYSLER'S COST. THE OVERALL GOAL OF THE PROGRAM IS TO CONTROL COSTS AND IMPROVE A PATIENT'S QUALITY OF LIFE.

SLIDE 9 ALTHOUGH PRIVATE HEALTH CARE INSURANCE COSTS HAVE RISEN SIGNIFICANTLY IN THE LAST SEVERAL YEARS, THE COST OF GOVERNMENT SPONSORED PROGRAMS, SUCH AS MEDICARE, HAVE ACCELERATED AT A MUCH FASTER RATE.

CHRYSLER AND THE UNITED AUTO WORKERS HAVE PROPOSED A RESEARCH AND DEMONSTRATION PROJECT UNDER A COOPERATIVE AGREEMENT WITH THE HEALTH CARE FINANCING ADMINISTRATION TO DETERMINE IF THE MEDICARE PROGRAM CAN BE ADMINISTERED IN A MORE COST EFFECTIVE MANNER THROUGH THE PRIVATE SECTOR OF THE ECONOMY.

SLIDE 10 THIS PROJECT WILL BE CONDUCTED IN THREE INDEPENDENT PHASES; A DATA ANALYSIS PHASE DURING WHICH THE FEASIBILITY OF THE EFFORT WILL BE EXPLORED. WE ANTICIPATE THIS TAKING NO MORE THAN 9 MONTHS. PHASE 2 INVOLVES THE DESIGN OF BENEFIT PLAN OPTIONS WITH THE UAW AND FINANCING ARRANGEMENTS WITH HCFA. WE SEE THIS CONSUMING NO MORE THAN 9 MONTHS AND HOPEFULLY A MUCH SHORTER PERIOD OF TIME. ASSUMING THE SUCCESSFUL COMPLETION OF PHASES 1 AND 2, WE PLAN A 3-5 YEAR PILOT PROGRAM.

DURING THE OPERATIONAL PHASE OF THIS PROJECT, CHRYSLER MEDICARE-ENROLLED RETIREES WILL VOLUNTARILY SELECT FROM SEVERAL HEALTH PLAN OPTIONS THROUGH WHICH TO RECEIVE THEIR MEDICARE AND MEDICARE SUPPLEMENTAL HEALTH BENEFITS. THESE OPTIONS WILL INCLUDE ONE OR MORE PLANS WHICH WILL BE DEVELOPED BY CHRYSLER AND THE UAW AS PART OF THE RESEARCH AND DEMONSTRATION PROJECT.

THIS PROPOSED RESEARCH AND DEMONSTRATION PROJECT ADDRESSES IMPORTANT PROBLEMS OF EMPLOYERS, MEDICARE BENEFICIARIES, AND THE HEALTH CARE FINANCING ADMINISTRATION.

DE 11A THE MEDICARE INSURANCE GROUP APPROACH (OR MIG, THE LABEL USED BY MEDICARE FOR SUCH PRIVATE SECTOR DEMONSTRATION PROJECTS) WILL ALLOW CHRYSLER TO IMPLEMENT COST CONTAINMENT EFFORTS AND STRATEGIES PROVEN EFFECTIVE FOR OUR ACTIVE POPULATION WHICH MEDICARE REGULATIONS PROHIBIT FOR MEDICARE ENROLLEES.

SLIDE 11B THE CURRENT DUAL MEDICARE AND MEDICARE SUPPLEMENTAL CLAIM SYSTEM IS OFTEN CONFUSING AND FRUSTRATING FOR RETIREES. UNDER THE PROPOSED DEMONSTRATION, MIG ENROLLEES WOULD HAVE A SINGLE, INTEGRATED SYSTEM FOR HANDLING CLAIMS AND INQUIRIES.

SLIDE 11C THE MIG HEALTH PLAN OPTIONS ALSO OFFER A MEANS TO REVERSE THE GROWTH IN OUT-OF-POCKET EXPENDITURES BY MEDICARE BENEFICIARIES.

SLIDE 11D FOR THE HEALTH CARE FINANCING ADMINISTRATION, THE MIG MODEL PROVIDES A MEANS OF EXPANDING MEDICARE ENROLLMENT IN ALTERNATIVE DELIVERY SYSTEMS THEREBY REDUCING FEDERAL GOVERNMENT MEDICARE EXPENDITURES.

SLIDE 11E WE HOPE TO DEMONSTRATE THROUGH THIS PROJECT THAT WE IN THE PRIVATE SECTOR ARE BETTER ABLE THAN THE GOVERNMENT TO CONTAIN THE COST OF THE MEDICARE PROGRAM AND THAT THIS NATION, UNLIKE ENGLAND, NEED NOT RESORT TO THE RATIONING OF HEALTH CARE SERVICES TO REDUCE COSTS.

SLIDE 12 WELLNESS PROGRAM

ANOTHER APPROACH TO CONTROLLING HEALTH CARE COSTS IS TO OFFER EMPLOYEES A PROGRAM DESIGNED TO CREATE AND MAINTAIN A HEALTHIER WORKFORCE.

CHRYSLER HAS INSTITUTED AN EDUCATION PROGRAM FOR ITS EMPLOYEES AND RETIREES ON THREE FRONTS THAT WE BELIEVE WILL PAY DIVIDENDS IN THE LONG RUN. FIRST, WE'VE MOUNTED A MAJOR HEALTH-PROMOTION AND DISEASE-PREVENTION EFFORT ENTITLED STAYWELL, TO KEEP PEOPLE OUT OF THE HOSPITAL AND IN GOOD HEALTH. WE INFORM OUR EMPLOYEES ABOUT THE DANGERS OF SMOKING AND URGE THEM TO QUIT. WE DISCUSS THE BENEFITS OF PROPER DIET, EXERCISE AND REST. WE PRESENTLY HAVE STAYWELL PROGRAMS AT 4 LOCATIONS AND PLAN TO EXPAND TO 9 THIS YEAR. EVENTUALLY, WE HOPE TO HAVE STAYWELL AT ALL CHRYSLER FACILITIES.

SECOND, A JOINT UAW-CHRYSLER EMPLOYEE ASSISTANCE PROGRAM IS BEING IMPLEMENTED. JOINT LOCAL PROGRAMS WILL SPONSOR EDUCATIONAL AND INFORMATIVE TRAINING SESSIONS ABOUT THE DANGERS OF ALCOHOL AND DRUG ABUSE.

THIRD, WE'VE IMPLEMENTED A CORPORATE COMMUNICATIONS PROGRAM WHICH EXPLAINS TO OUR EMPLOYEES SOME OF THE INEFFICIENCIES IN THE HEALTH CARE SYSTEM AND, MOST IMPORTANT, ABOUT THE FACT THAT THEY CAN MAKE CHOICES AND GET BETTER OR EQUALLY FINE HEALTH CARE AT FAR LESS COST. THESE COMMUNICATIONS EFFORTS INCLUDE SPECIAL EMPLOYEE PRESENTATIONS, COMPANY PUBLICATIONS, AND A REGULAR NEWSPAPER FEATURE TO BE IMPLEMENTED, ENTITLED STAYWELL.

A PLANNED, COMFORTABLE AND SECURE RETIREMENT IS THE ULTIMATE GOAL OF EVERY EMPLOYEE.

SLIDE 13 TO HELP EMPLOYEES PREPARE FOR RETIREMENT, WE HAVE IMPLEMENTED A LIFE PLANNING SEMINAR.

THIS PROGRAM IS DESIGNED TO HELP OUR SALARIED EMPLOYEES PLAN FOR THEIR FUTURE RETIREMENT. THE SEMINAR CONSISTS OF SIX MODULES COVERING FINANCIAL PLANNING, THE ISSUES AND MYTHS OF AGING AND HEALTH, INTERPERSONAL RELATIONSHIPS, HOUSING DECISIONS AND LEISURE VS. WORK OPTIONS FOLLOWING RETIREMENT.

SLIDE 14 EACH MODULE RUNS FOR APPROXIMATELY 2½ HOURS AND THEY ARE HELD AFTER WORK OR ON WEEKENDS. ATTENDEES ARE ENCOURAGED TO BRING A SPOUSE OR GUEST. TO BE ELIGIBLE FOR ENROLLMENT, AN EMPLOYEE MUST BE 45 YEARS OLD AND HAVE 10 YEARS OF CORPORATE SERVICE.

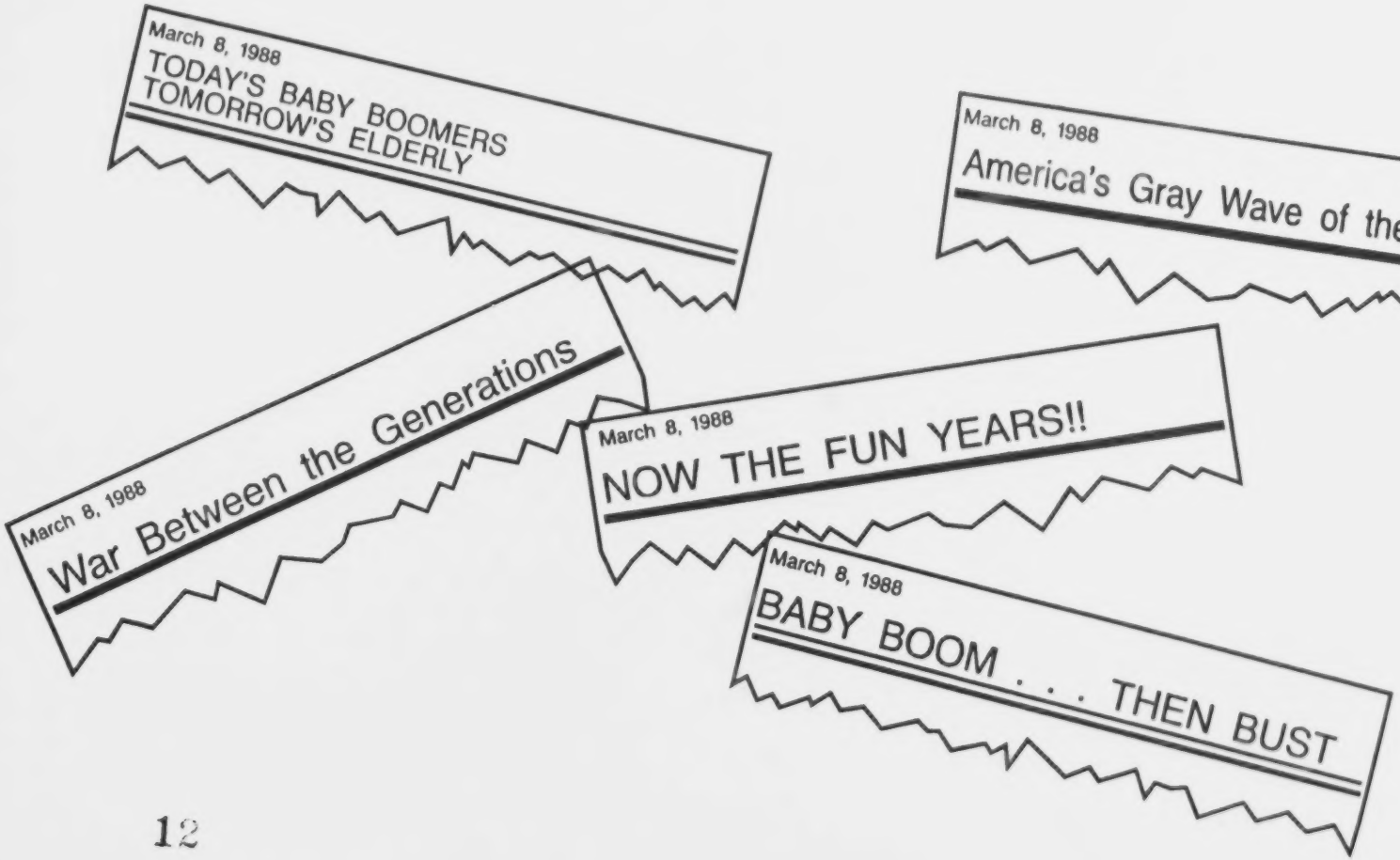
SLIDE 15 THE ELIGIBILITY TIME FRAME FOR THIS PRE-RETIREMENT PROGRAM ALLOWS EMPLOYEES TO PARTICIPATE IN THE SEMINAR WITHOUT SPECIFICALLY COMMITTING TO RETIREMENT. IT PROVIDES EMPLOYEES WITH THE OPPORTUNITY TO PLAN FOR RETIREMENT EMOTIONALLY, PHYSICALLY AND FINANCIALLY. IT IS NOT DESIGNED TO SIMPLY FOCUS ON RETIREMENT BENEFITS, BUT TO ENCOURAGE EMPLOYEES TO VIEW RETIREMENT AS PART OF THE CAREER DEVELOPMENT PROCESS.

SLIDE 16 IN CONCLUSION, WE RECOGNIZE THAT THE CHALLENGES POSED BY AN AGING POPULATION WILL REQUIRE A GREAT DEAL OF IMAGINATION AND INGENUITY ON THE PART OF PRIVATE INDUSTRY, LABOR, THE GOVERNMENT, AND ACADEMIA TO DEVELOP PROGRAMS AND IMPLEMENT MEASURES DESIGNED TO EFFECTIVELY ACCOMMODATE AN OLDER POPULATION. HOWEVER, THIS PLANNING PROCESS HAS TO BEGIN NOW -- WE CAN'T WAIT ANOTHER 5 TO 10 YEARS WHEN PROBLEMS WILL BEGIN TO SURFACE.

CHRYSLER HAS TAKEN SOME INITIAL STEPS IN THIS DIRECTION, BUT WE ARE AWARE THAT WE HAVE A LONG WAY TO GO YET. NEVERTHELESS, WE BELIEVE THAT BY CHRYSLER AND THE UAW WORKING TOGETHER AND DRAWING UPON THE RESEARCH AND STUDIES CONDUCTED BY THE ACADEMIC COMMUNITY, WE CAN PROPERLY POSITION OURSELVES TO MEET THE CHALLENGES THAT LIE AHEAD.

THANK YOU!

CHRYSLER MOTORS



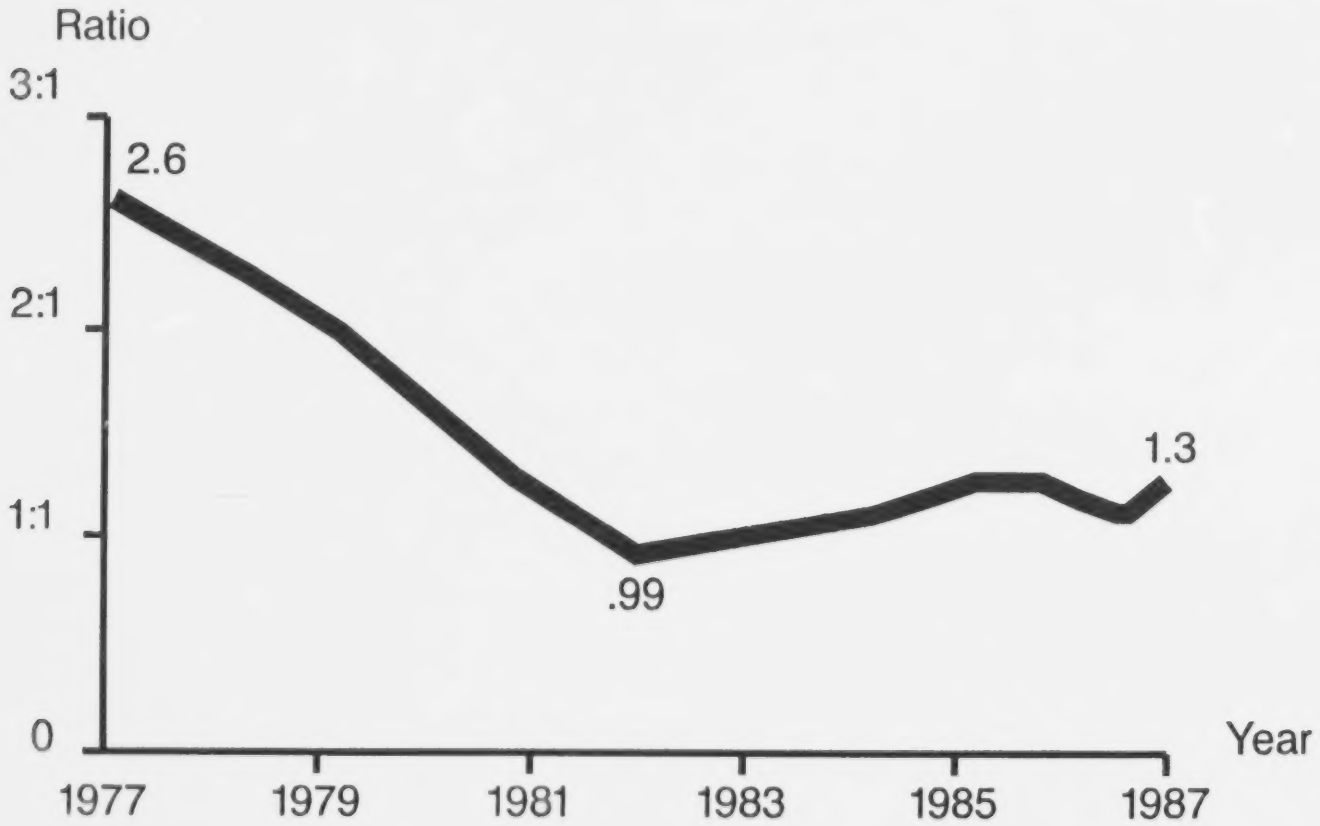
CURRENT CHRYSLER DEMOGRAPHICS

CHRYSLER MOTORS

	Hourly	Non – Management Salaried	Management
Age	44	41	40
Service	17	13	16

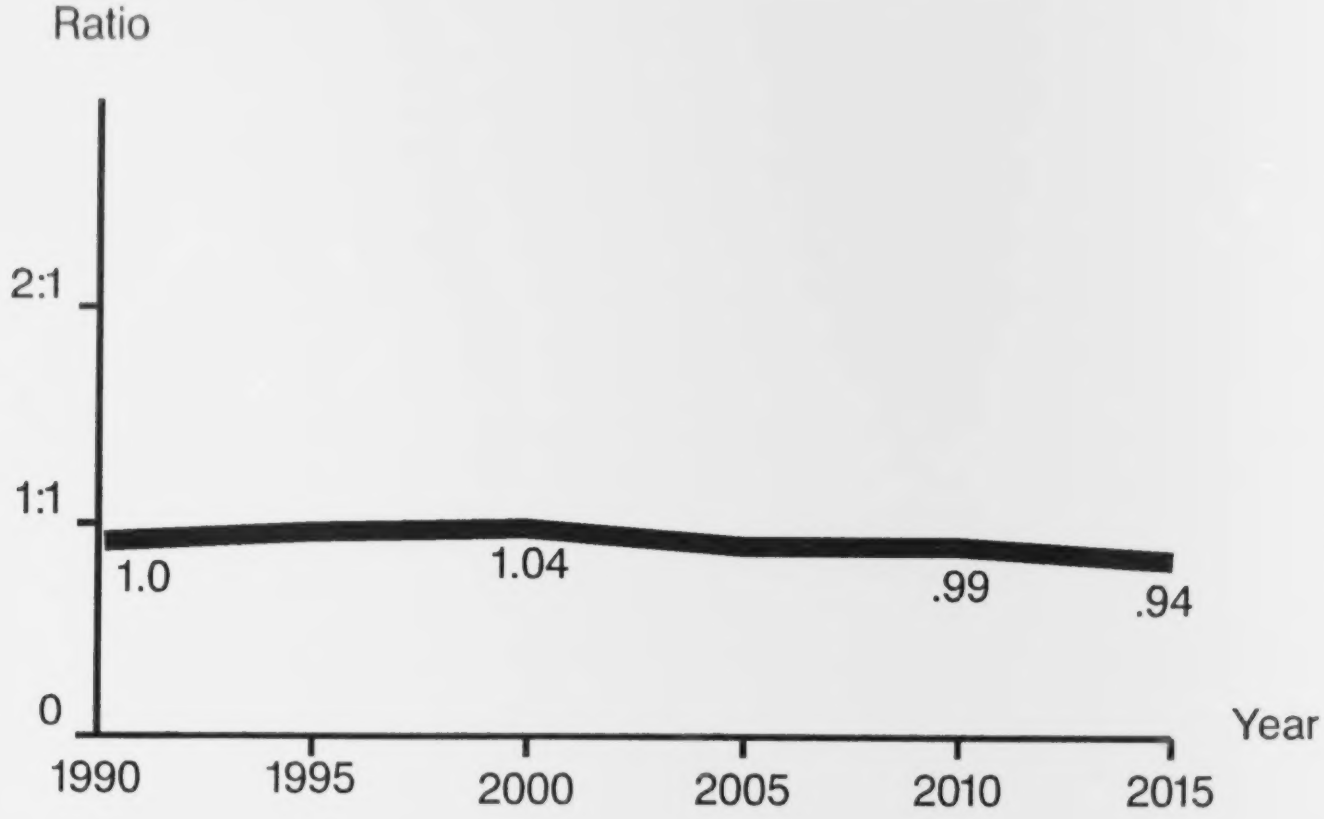
ACTIVE TO RETIREE RATIO
1977 TO 1987

CHRYSLER MOTORS



PROJECTED ACTIVE TO RETIREE RATIO 1990 TO 2015

CHRYSLER MOTORS



REASONS FOR LOW ACTIVE TO RETIREE RATIO

CHRYSLER MOTORS

- Surviving Spouse Option
- Aging Retiree Population
- Early Retirement

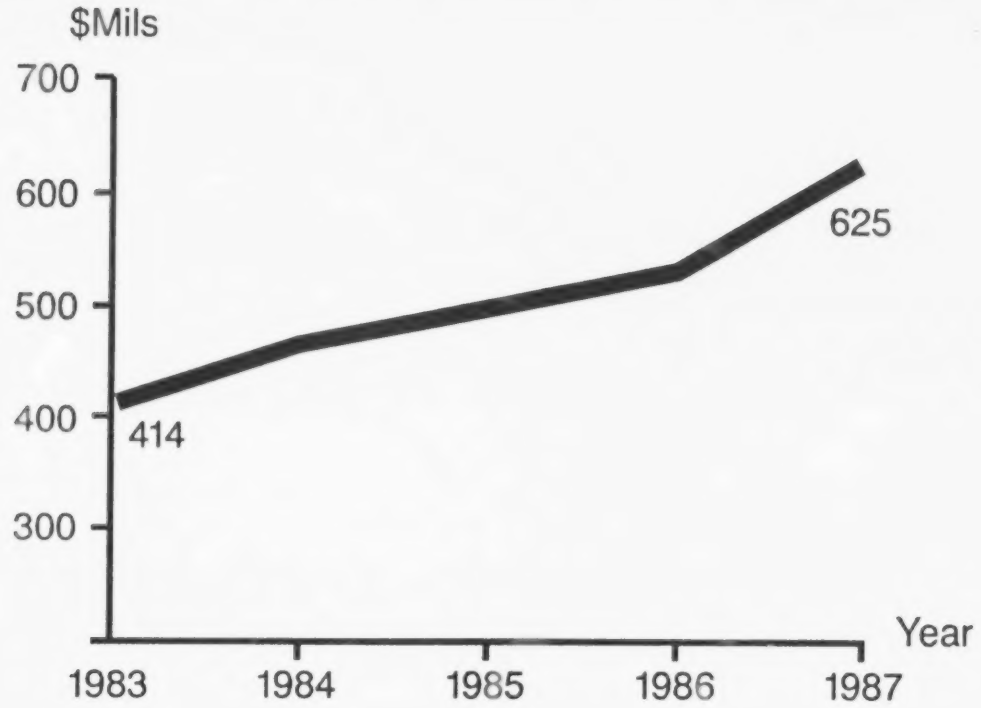
PENSION AND RETIREE INSURANCE COSTS

CHRYSLER MOTORS

	($ Mils.)
Pensions	400
Retiree Insurance	202
Total	602

TOTAL INSURANCE PAYMENTS

CHRYSLER MOTORS



% Increase 1983 – 1987:

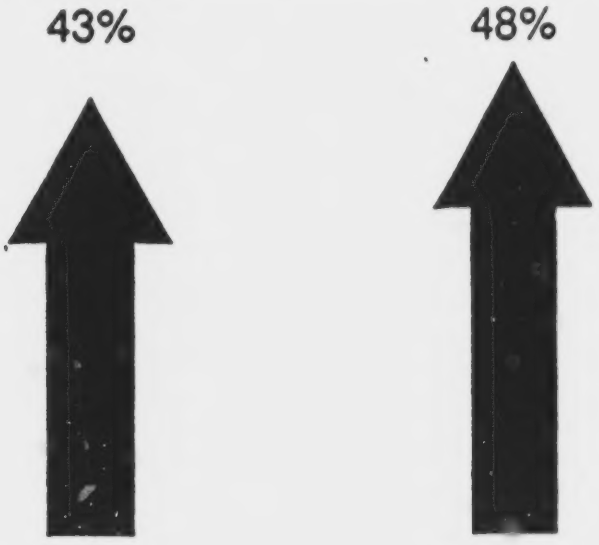
Retirees – 39.1%

Active – 57.1%

17

MANAGED HEALTH CARE ENROLLMENT

CHRYSLER MOTORS



1987

EXAMPLE INDIVIDUAL CASE MANAGEMENT

CHRYSLER MOTORS

Conventional Health Care

Cost	$ 1,000 /Day
Remaining Coverage	X 100 Days
Total Benefit Pool	$100,000

Individual Case Management

Cost	$ 500 /Day
Total Benefit Pool	$100,000
Remaining Coverage 200 Days	($100,000 ÷ $500)

INDIVIDUAL CASE MANAGEMENT

CHRYSLER MOTORS

- Improves Cost Control
- Extends Benefit Coverage
- Improves Quality of Life

MEDICARE INSURED GROUP PROJECT

CHRYSLER MOTORS

PHASES OF PROJECT

CHRYSLER MOTORS

- Data Analysis
- Benefit Design and Financing
- Operational Phase

MEDICARE INSURANCE GROUP (MIG)

CHRYSLER MOTORS

- Permits Implementation of Cost Control Programs

MEDICARE INSURANCE GROUP (MIG)

CHRYSLER MOTORS

- Permits Implementation of Cost Control Programs
- Eliminates Dual Claim System

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- Reverses Growth in Out – Of – Pocket Expenditures

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CHRYSLER MOTORS

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- Broadens Options for Delivery of Services

MEDICARE INSURANCE GROUP (MIG)

CHRYSLER MOTORS

- Permits Implementation of Cost Control Programs
- Eliminates Dual Claim System
- Reverses Growth in Out – Of – Pocket Expenditures
- Broadens Options for Delivery of Services
- Private Sector – Better Able to Control Costs

HEALTH EDUCATION PROGRAM

CHRYSLER MOTORS

StayWell

- Health Promotion and Disease Prevention
- Expand to 9 Locations This Year

Employee Assistance Plan

- Administered by Chrysler – UAW
- Education and Training Sessions

Other Programs

- Employee Presentations
- Newspaper Column

LIFE PLANNING SEMINAR

CHRYSLER MOTORS

- Six Modules Covering:
  - Financial Planning
  - Issues and Myths of Aging
  - Interpersonal Relationships
  - Leisure vs. Work

MECHANICS OF PROGRAM

CHRYSLER MOTORS

- Meetings After Work or on Weekends
- Eligibility
  - Age 45 or Older
  - 10 or More Years of Service

PURPOSE OF PROGRAM

CHRYSLER MOTORS

- Opportunity to Plan for Retirement
- Broaden Employee's Perspective on Retirement

PARTNERS FOR THE AGING POPULATION

CHRYSLER MOTORS